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Nigeria

SUGAR ANNUAL

Sugar Imports Increasing

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Report Highlights:

Nigeria continues to depend almost exclusively on sugar imports despite the completion of the privatization of all government-owned sugar estates. Rehabilitation and expansion of these estates are on-going, albeit at a slow pace. At present, only Savannah (Dangote) Sugar has resumed milling operations. The GON's beneficial duty on raw sugar imports continues to encourage the expansion of refinery capacity with the entry of BUA Group in November 2008. Existing refinery capacities now exceed domestic consumption requirement and are exploring exports to the West African countries.

Executive Summary:

In November 2008, BUA Group commissioned a 650,000-ton per year sugar refinery, thus ending Dangote's monopoly. Dangote sugar remains the dominant player in Nigeria's sugar sector with a refinery capacity of 1.44 million tons. These refineries depend exclusively on raw sugar imported from Brazil. The two refineries have a combined capacity to produce about 2.1 million tons of sugar per year, which exceeds national consumption requirement estimated at 1.4 million tons.

Domestic sugar production from the now privatized estates is trending upwards, albeit at a slow pace. Savannah Sugar Company under the new management (Dangote) has commenced local production and processing of sugar cane. BUA Group, the new owner of the now privatized Lafiaji Sugar Company will soon commence rehabilitation work. A number of other companies have also purchased privatized estates and plan to enter sugar production soon. The privatization of sugar estates should result in a boost in domestic sugar cane production.

Because of Nigeria's beneficial tariffs on raw sugar, about 80 percent of all imports come as brown sugar and are refined locally, while the remainder is imported in refined form.

Exchange Rate: \$1 = 148 Naira

Commodities:

Sugar Cane for Centrifugal

Production:

Nigeria's domestic sugar production in 2009/10 is forecast at 60,000 tons (raw value), up from the revised estimate of 50,000 tons in 2008/09. Following the completion of the privatization of all government owned estates, rehabilitation and expansion are on-going on the estates.

Dangote-owned Savannah Sugar, commenced production in 2007 and is currently the only domestic producer of sugar. Savannah is expanding its field operations and has also developed an out-grower scheme to reduce mill downtime and provide economic support to the local community around the estate. Under the scheme, Savannah Sugar will prepare the land, provide irrigation, seed cane and other inputs on a cost recovery basis. The first phase of the out-grower scheme has about 500 farmers with average farm size of two hectares.

Josepdam, the new owners of Nigeria Sugar company in Bacita have intensified the rehabilitation and expansion of cane fields and are expected to commence milling operation during the 2009/10 season. Other sugar companies/estates in Sunt and Lafiaji have also been privatized and are at varying stages of rehabilitation.

The privatization of government-owned, fully integrated sugar companies is a key element of GON's overall strategy of achieving private sector participation in sugar production.

Privatization has undoubtedly improved the management of these estates. With the privatization exercise now completed, the National Sugar Development Council (NSDC), which is the GON's sugar sector development agency, has shifted focus to monitoring, research and development, promotion of mini plants, supporting a uniform development of out-grower program and establishing a price support mechanism to ensure that farmers receive a fair deal from the estates. The NSDC in collaboration with the Central Bank and a local bank have introduced a new scheme that will deliver inputs and credits to out grower cooperatives at a low interest rate of seven percent. The GON also has a low duty of 2.5 percent on all imported sugar machineries to encourage investment in the sector.

Consumption:

Nigeria's overall sugar consumption in MY2009/10 is forecast to rise to 1.4 million tons, up from 1.3 million tons in 2007/08. This forecast is based on population growth, as well as increasing industrial demand. The use of sugar in industrial activities such as manufacturing soft drinks, pharmaceuticals, other beverages and confectionary products is rising rapidly, while demand for direct household consumption remains firm. Soft drink production alone accounts for about half of total industrial usage. The reduced price of the imported raw sugar, excess processing capacity and competition between the two companies will keep consumer prices competitive during the 2009/10 marketing year.

Price table

	Local Distributors(\$/MT)	Raw Sugar(\$/MT)
2008	933	375
2009	830	350

Source: National Sugar development Council & Industry

Trade:

Post forecasts Nigeria's raw sugar imports in 2009/10 to rise to 1.3 million tons, up from 1.2 million tons in MY 2008/09. Demand in Nigeria remains strong, and this projected increase reflects plans by Dangote to increase refinery capacity, as well as the recent market entry by the BUA refinery.

Despite the increased in domestic refining capacity, imports of refined sugar remain firm 350,000 tons to satisfy industrial demand, which does not require vitamin A fortification. The bulk of Nigeria's sugar imports, both raw and refined, come from Brazil. Trans-border formal and informal sugar exports to neighboring countries is expected to continue to increase in MY2009/10, especially with the and the management of Dangote and BUA Refineries indicate that they have concluded plans to commence formal sugar exportation to Ghana, Niger and Senegal.

Policy:

The import duty on refined sugar is 20%. When other taxes, such as development levy (10%), VAT (5%) are assessed, the effective duty is about 35%. The GON imposed the high duty on refined sugar to protect the local refineries and sugar estates and to encourage new investments in local refining capacity. Raw sugar imports attract a much lower duty of only 5 percent and are exempted from payment of sugar development levy. The GON requires all sugar consumed in Nigeria to have a minimum of 45 ICMSA.

As part of a national effort to eradicate Vitamin A deficiency, the GON made it mandatory for all sugar intended for direct consumption to be fortified with Vitamin A. Fortification costs about \$10 per ton. For industrial use, however, non-fortified sugar is approved following complaints by industrial users that fortified sugar induces undesirable changes in color, taste and appearance in their products.

Production, Supply and Demand Data Statistics:

Sugar Cane for Centrifugal Nigeria	2008			2009			2010			
	2007/2008			2008/2009			2009/2010			
	Market Year Begin: Nov 2007			Market Year Begin: Nov 2008			Market Year Begin: Nov 2009			
	Annual Data Displayed	New Post		Annual Data Displayed	New Post		Annual Data Displayed	Jan		
		Data			Data			Data		
Area Planted	30	30	30	60	60	30			30	(1000 HA)
Area Harvested	25	25	7	50	50	8			9	(1000 HA)

Production	500	500	450	1,000	1,000	525			575	(1000 MT)
Total Supply	500	500	450	1,000	1,000	525			575	(1000 MT)
Utilization for Sugar	500	500	450	1,000	1,000	525			575	(1000 MT)
Utilizatn for Alcohol	0	0	0	0	0				0	(1000 MT)
Total Utilization	500	500	450	1,000	1,000	525			575	(1000 MT)
TS=TD			0			0			0	

Sugar, Centrifugal Nigeria	2008			2009			2010			
	2007/2008			2008/2009			2009/2010			
	Market Year Begin: Nov 2007			Market Year Begin: Nov 2008			Market Year Begin: Nov 2009			
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan	
			Data			Data			Data	
Beginning Stocks	100	100	100	185	100	185			185	(1000 MT)
Beet Sugar Production	0	0	0	0	0	0			0	(1000 MT)
Cane Sugar Production	50	50	50	60	100	50			60	(1000 MT)
Total Sugar Production	50	50	50	60	100	50			60	(1000 MT)
Raw Imports	1,185	1,100	1,185	1,435	1,200	1,200			1,300	(1000 MT)
Refined Imp.(Raw Val)	150	250	300	50	200	350			350	(1000 MT)
Total Imports	1,335	1,350	1,485	1,485	1,400	1,550			1,650	(1000 MT)
Total Supply	1,485	1,500	1,635	1,730	1,600	1,785			1,895	(1000 MT)
Raw Exports	0	0	0	0	0	0			0	(1000 MT)
Refined Exp.(Raw Val)	50	150	150	150	200	250			300	(1000 MT)
Total Exports	50	150	150	150	200	250			300	(1000 MT)
Human Dom. Consumption	1,220	1,220	1,270	1,310	1,260	1,310			1,360	(1000 MT)
Other Disappearance	30	30	30	40	40	40			50	(1000 MT)
Total Use	1,250	1,250	1,300	1,350	1,300	1,350			1,410	(1000 MT)
Ending Stocks	185	100	185	230	100	185			185	(1000 MT)
Total Distribution	1,485	1,500	1,635	1,730	1,600	1,785			1,895	(1000 MT)
TS=TD			0			0			0	